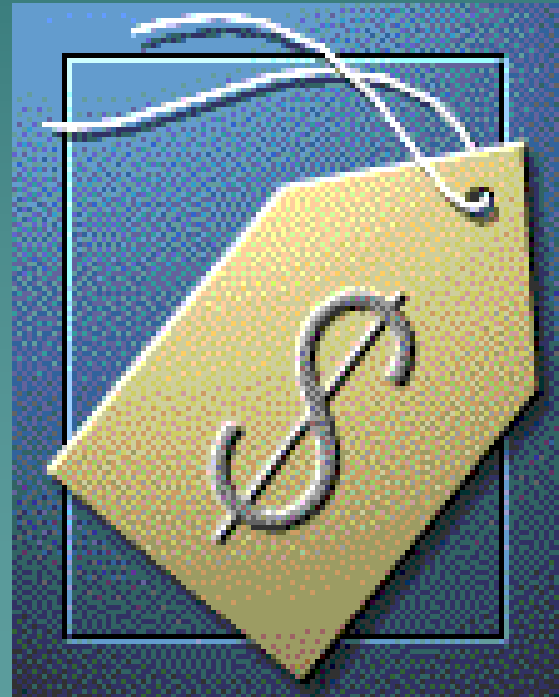


Price Planning & Pricing Strategies

Chapters 25 & 26

What is Price?

- ◆ Price is the value of money (or its equivalent) placed on a good or service.



Key to Pricing—Product Value

- ◆ Understanding the value that buyers place on a product.

Price a product high enough for a profit, but not so high that it exceeds the “VALUE” customers place on the product.



Trek - \$4949.99



Huffy - \$79.87

Return on Investment

- ◆ Will the product be profitable?
 - DVD:
 - ◆ Sell for \$8
 - ◆ Cost to make & market \$6.50
 - ◆ $\$8 - \$6.50 = \$1.50$23% return



Market Share

- ◆ Companies percentage of total sales volume in a specific category.

OREO--#1 Brand in Cookie Category –
42%



CHIPS AHOY -- #2 –
32%



A Change in price creates a CHANGE in DEMAND. This is referred to as ELASTIC demand.

Steak & Seafood:

People will buy more if \$3 a pound vs. \$9 a pound.



◆ Inelastic demand

- Situations in which a change in price has very little effect on demand.



Price Laws

- ◆ Sherman Anti-trust
 - Outlawed monopolies and price fixing
- ◆ Clayton Act
 - Defined price discrimination as unfair competition.
 - ◆ When a company charges different prices to similar customers
- ◆ Robinson-Patman Act
 - Strengthened Clayton Act
 - ◆ Prohibits sellers from offering one customer a different price than another

The difference between the price of an item and its cost is referred to as the

MARKUP

Retail Price..... \$14

Cost.....\$10

Markup.....40% (\$4)

Must be high enough to cover expenses



Competition vs. Demand Pricing

◆ Competition-oriented pricing

- Based on what the competition is doing
 - ◆ Gain market share, Keep in line with competitors

◆ Demand-oriented pricing

- Based on what consumers are willing to pay
 - ◆ Perceived Value (Concert tickets, Vehicles)

Calculating Price

Price planning begins with.....

◆ Costs

- (making the product)

◆ Expenses

- (money needed to run the business)



*UTAH
APPRENTICE GIRL*

She got kicked off!

Donald's head

*Define the terms from the book and
site an example of each.*